



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

As we continue to look at mortgage terms, this week we present another term you might encounter while processing your mortgage. This week's term is: **Hypothecary Obligation**

A **hypothecary obligation** or **hypothec** is a charge on property as security for the payment of a sum of money where the property remains in the possession of the debtor. The borrower hypothecates when he/she pledges the house as collateral for payment of the mortgage, or he/she may hypothecate the mortgage in order to borrow against the value of the house. In both situations, the borrower retains the house but the lender has the right to take possession if the borrower does not service the debt.

What does this mean for you?

What a hypothecary obligation means for you as a homeowner is that you are agreeing that if you cannot service your debt, the financial institution or lender may claim your property as payment. It is important that you are clear about the terms of this obligation even if you are quite certain that you will always be able to meet your financial commitment to the institution or lender.